

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

August 26, 2008

To the Township Board
Elmira Township
Otsego County, Michigan

I have audited the financial statements of Elmira Township for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of my audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Auditors' Responsibility under U.S. Generally Accepted Auditing Standards

I conducted my audit of the financial statements of Elmira Township in accordance with auditing standards generally accepted in the United States. The following paragraph explains my responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. My knowledge of such transactions is limited to that acquired through my audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, my responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances,

makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient, competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at a reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financials are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in my opinion."

Significant Accounting Policies

The significant accounting policies are described in Note 1 to the financial statements.

Other Communications

Auditing standards call for me to inform you of other significant issues such as, but not limited to: 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

I have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

Internal Control Matters

In the audit process, I gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. My understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A **control deficiency** exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to

initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the internal control.

A **material weakness** is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the internal control. My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I consider each of the following significant deficiencies to be a material weakness.

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the administrative staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected in the normal course.

Reporting Financial Data


The above definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles ("GAAP"). As a matter of convenience, the Organization has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Organization has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Organization has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other organizations of its size.

Summary

This information is intended solely for the use of the Board and Management of Elmira Township and is not intended to be and should not be used by anyone other than these specified parties.

I welcome any questions you may have regarding the foregoing comments, and would be happy to discuss any of these or other questions that you might have at your convenience.

Respectfully Yours,



Daniel S. Smith, CPA

TOWNSHIP OF ELMIRA
OTSEGO COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

TOWNSHIP OFFICIALS

SUPERVISOR

DIANE FRANCKOWIAK

CLERK

SUE SCHAEDIG

TREASURER

DIANE PURGIEL

TRUSTEES

LEONARD SKOP

THERESA PLACHTA

ELMIRA TOWNSHIP
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DAN
SMITH

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

August 19, 2008

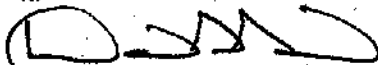
To the Township Board
Elmira Township
Otsego County, Michigan

I have audited the accompanying financial statements of the governmental activities and the major fund of the Township of Elmira, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Township of Elmira as of March 31, 2008, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages II-V and budgetary comparison information on pages 17-20 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.



Daniel S. Smith, CPA

ELMIRA TOWNSHIP

2035 Mt. Jack Road

Elmira, MI 49730

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Elmira Township's annual financial report presents our discussion and analysis of our financial performance during the fiscal year ended March 31, 2008. Please read it in conjunction with the financial statements which immediately follow this section.

Financial Highlights

Our financial position has improved over the prior year.

Overall revenues, as presented in the Statement of Activities, totaled \$304,530 which \$32,305 represents program revenues (charges for services and operating grants), and \$272,225 represents general revenues, primarily property tax dollars and State shared revenue. Total revenues have increased approximately 3% over the year ended March 31, 2007 as a result of increasing property tax revenues consisting of appreciating property values and an increase in the interest earned on bank deposits and certificates of deposit.

Overall expenditures totaled \$209,145 which is an increase of approximately 5% from the year ended March 31, 2007. The increase is due to normal operating cost increases.

Total assets at March 31, 2008 totaled approximately \$783,000 which consists of approximately \$164,000 in capital assets net of depreciation, approximately \$605,000 in cash and certificates of deposit, and approximately \$14,000 in accounts receivable.

Total liabilities total approximately \$4,100 and consist entirely of amounts due to the Elmira/Warner Fire Authority.

Net assets as of March 31, 2008 total approximately \$779,000 which represents an increase of approximately \$95,000 from the prior year. Approximately \$164,000 of the total net assets is invested in capital assets with approximately \$615,000 being unrestricted.

The Township incurred no new debt instruments during the year and has no outstanding debt carried forward from prior years. The Township did make capital asset purchases totaling \$6,100 in the year ended March 31, 2008. Long-term debt and capital asset activity is addressed further in a subsequent section of this letter.

The following table shows in condensed format, the net assets as of March 31, 2008 and 2007.

	Governmental Activities	
	2008	2007
Assets		
Current Assets	\$ 619,000	\$524,500
Noncurrent Assets	164,000	164,500
Total Assets	<u>783,000</u>	<u>689,000</u>
Liabilities		
Due to other governments	<u>4,000</u>	<u>5,500</u>
Net Assets		
Invested in capital assets	164,000	164,500
Unrestricted	<u>615,000</u>	<u>519,000</u>
Total Net Assets	<u>779,000</u>	<u>683,500</u>

The current level of unrestricted net assets for our governmental activities stands at \$615,000, or about 294% of annual expenditures.

Overview of the Financial Statements

This annual report consists of three parts: the management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present an overview of the government broken down by the services it provides.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statements information with budgetary comparisons.

Government-Wide Statements

The government-wide statements report information about the Township as a whole using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities; this is one method to measure an entity's financial health or position.

Over time, increases or decreases in an entity's net assets is an indicator of whether financial position is improving or deteriorating.

To assess overall health of an entity, you may also have to consider additional factors such as tax base changes, economic conditions, personnel changes and specific transactions.

Essentially all of the activities of the Township are reported as governmental activities. These would include the operations recorded in the General Fund.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. They also may be created by the Township Board. Funds are established to account for funding and spending of specific financial resources and they show proper expenditure of those resources. The fund financial statements are prepared using the modified accrual basis of accounting, reporting only current transactions.

The Township has the following types of funds:

Governmental Funds: All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

Fiduciary Funds: The Township is a trustee or fiduciary for assets that belong to others. The Township maintains these funds and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

Financial Analysis of the Township's Funds

General Fund - This fund is used to account for all activities not required to be accounted for in a separate fund. The major source of revenue for the general fund is from the Township tax base, and revenue sharing from the State of Michigan. The major expenses for this fiscal year include the general operating activities of the Township, fire protection services, and road repair and maintenance.

Financial Analysis of the Township's Funds (Continued)

The Township also maintains a fiduciary fund for tax collection and disbursement activities. The Township acts as a fiduciary for assets that belong to others. These activities do not appear in the government-wide financial statements since the assets do not belong to the entity.

Capital Asset and Long-term Debt Activity

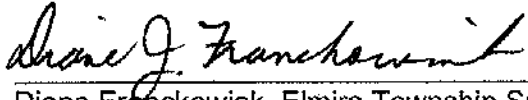
The Township has no long-term debt. Capital expenditures this year totaled \$6,100, and were for the following assets: New Basketball Court (\$6,100).

Known Factors Affecting Future Operations

None.

Contracting Entity Management

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the entity's finances and to demonstrate the entity's accountability for the revenues it receives. If you have questions concerning this report, please contact Supervisor Diane Franckowiak.



Diane Franckowiak, Elmira Township Supervisor

**TOWNSHIP OF ELMIRA
STATEMENT OF NET ASSETS
MARCH 31, 2008**

ASSETS

Current Assets:

General Checking	\$ 142,473
Certificates of Deposit	462,739
Receivables:	
Delinquent Taxes Receivable	9,017
Due From the Tax Account	4,930

Total Current Assets	619,159
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Capital Assets:

Land, Buildings, and Equipment	278,747
Accumulated Depreciation	(114,848)

Total Capital Assets	163,899
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Total Assets	783,058
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LIABILITIES

Current Liabilities

Due to Fire Authority	\$ 4,173
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Total Liabilities	4,173
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NET ASSETS

Net Assets - Unrestricted	614,986
Investment in Capital Assets	163,899

Total Net Assets	\$ 778,885
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See accompanying notes to the financial statements

**TOWNSHIP OF ELMIRA
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2008**

	P R O G R A M R E V E N U E S				NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRI- BUTIONS	CAPITAL GRANTS AND CONTRI- BUTIONS	
GOVERNMENTAL ACTIVITIES					
Township Administration	\$ 125,873	\$ 25,694	\$ -	\$ -	(100,179)
Fire Protection	67,903	-	-	-	(67,903)
Public Works - Street Lights	3,419	-	5,115	-	1,696
Recreation and Culture	1,452	-	-	-	1,452
Cemetery	2,263	-	-	-	2,263
Liquor Law Enforcement	1,496	-	1,496	-	-
Unallocated Depreciation Expense	6,739	-	-	-	6,739
Total Governmental Activities	209,145	25,694	6,611	-	176,840
General Revenues:					
Property Taxes					130,712
State Shared Revenue (Unrestricted)					109,942
Interest					25,206
Swamp Tax					3,229
Royalties					1,712
Other					1,424
Total General Revenues					272,225
Changes in Net Assets					95,385
Net Assets - Beginning of Year					683,500
Net Assets - End of Year					\$ 778,885

See accompanying notes to the financial statements

**ELMIRA TOWNSHIP
BALANCE SHEET
MARCH 31, 2008**

	GENERAL FUND
<hr/>	
ASSETS	
Current Assets	
General Checking	\$ 142,473
Certificates of Deposit	462,739
Delinquent Tax Receivable:	
General Operations	4,844
Fire Operations	4,173
Due From Tax Collection	4,930
	<hr/>
Total Assets	619,159
	<hr/> <hr/>
 LIABILITIES AND FUND EQUITY	
Current Liabilities:	
Due to Fire Authority	4,173
Fund Equity:	
Fund Balance	614,986
	<hr/>
Total Liabilities and Fund Equity	\$ 619,159
	<hr/> <hr/>

See accompanying notes to the financial statements

**TOWNSHIP OF ELMIRA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2008**

**TOTAL FUND BALANCE - GOVERNMENTAL ACTIVITIES
PER BALANCE SHEET - PAGE 3**

\$ 614,986

Amounts reported for governmental activities in the Statement
of Net Assets (Page 1) are different because:

Capital assets used in governmental activities are not financial
resources and therefore not used in the funds

163,899

**TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES
PER STATEMENT OF NET ASSETS**

\$ 778,885

See accompanying notes to the financial statements

**TOWNSHIP OF ELMIRA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2008**

	GENERAL FUND
REVENUES:	
Property Taxes	\$ 133,941
State Shared Revenue	115,057
Interest Earnings	25,206
Charges For Services	25,774
Royalties	1,712
Liquor Control	1,496
Miscellaneous	1,344
Total Revenues	304,530
EXPENDITURES:	
General Government	129,292
Fire Protection	67,903
Parks	7,552
Cemetery	2,263
Liquor Law Enforcement	1,496
Total Expenditures	208,506
Excess of Revenues over Expenditures	96,024
Fund Balance - Beginning of Year	518,962
Fund Balance - End of Year	\$ 614,986

See accompanying notes to the financial statements.

**ELMIRA TOWNSHIP
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2008**

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS	\$ 96,024
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Amounts reported for governmental activities in the
Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives.	6,100
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Depreciation expense is recorded in the Statement of Activities but not in the governmental fund financial statements.	(6,739)
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CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES	\$ 95,385
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See accompanying notes to the financial statements

**ELMIRA TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2008**

	ASSETS	
Cash - Tax Accounts		\$ 6,031
		<hr/>
	LIABILITIES	
Due to other Funds		4,930
Due to Other Governments		1,101
		<hr/>
Total Liabilities		6,031
		<hr/>
	NET ASSETS	
Net Assets		\$ -
		<hr/>

See accompanying notes to the financial statements

**ELMIRA TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED MARCH 31, 2008**

RECEIPTS:

Property Taxes and Interest	\$	1,878,959
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DISBURSEMENTS:

Property Taxes and Interest		1,878,959
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Change in Fiduciary Net Assets		-
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Fiduciary Net Assets - Beginning of Year		-
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Fiduciary Net Assets - End of Year	\$	-
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See accompanying notes to the financial statements

**TOWNSHIP OF ELMIRA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

NOTE A: ENTITY

The Township of Elmira is a general law township of the State of Michigan located in Otsego County, Michigan. It operates under an elected board and provides service to its residents in many areas including law enforcement, community enrichment and human services. The criteria established for the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements include all of the governmental functions of Elmira Township.

JOINT VENTURE

The Elmira/Warner Fire Authority was created October 1, 2002 by Elmira and Warner Townships under Public Act 57 of 1988, as amended, for the purpose of furnishing fire/rescue services in the Townships. The Authority operates under a separate 5-member board.

Under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", as amended by GASB No. 39 "Determining Whether Certain Organizations are Component Units", the activities of the Fire Authority are not recorded in the Township's financial statements and are audited under separate cover. The only activity reported in the Township's financial statements with respect to fire protection services is the collection of property taxes levied under the name of Elmira Township, and the allocation of the property tax dollars to the Fire Authority.

Audited financial statements for the Elmira/Warner Fire Authority can be obtained at 2035 Mt. Jack Road, Elmira, MI 49730

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Elmira Township are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Township's financial activities.

The accounting policies of Elmira Township conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

**TOWNSHIP OF ELMIRA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities such as tax collection activities.

Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. At this time, the Township has no business-type activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

**TOWNSHIP OF ELMIRA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major governmental fund:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state shared revenues.

Other Funds

Fiduciary Funds - These funds are used to account for assets held in trust or as an agent for others. Tax collection activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting.

**TOWNSHIP OF ELMIRA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2007, are recorded as revenue in the current year. The Township's taxable value for the 2007 tax year totaled \$69,582,655.

The tax rates for the year ended March 31, 2008, were as follows:

PURPOSE	RATE/ASSESSED VALUATION
General	0.8880 mills per \$1,000
Fire Protection	0.9781 mills per \$1,000

**TOWNSHIP OF ELMIRA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGET

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional and activity basis. The approved budgets of the Township for these budgetary funds were adopted on an activity level. Budgets are adopted on March 31 of each year. There are no carryover budget items. During the year ended March 31, 2008, no over-expenditures were noted.

CAPITAL ASSETS AND DEPRECIATION

The Township's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	25 – 40
Improvements, other than buildings	10 – 20
Machinery and equipment	5 – 10
Vehicles	5 – 10

Land and construction in progress are not depreciated.

With respect to asset improvements, costs over \$1,000 should be capitalized if:

1. The estimated life of the asset is extended by more than 25%, or
2. The cost results in an increase in the capacity of the asset, or
3. The efficiency of the asset is increased by more than 10%, or
4. Significantly changes the character of the asset, or
5. Other wise, the cost should be expensed as repair and maintenance.

For information describing capital assets, see Note E.

**TOWNSHIP OF ELMIRA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND DISCOUNTS/PREMIUMS

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

The Township currently has no long-term debt.

USE OF ESTIMATES

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as much, include amounts based on informed estimates and judgements of management with consideration given to materiality. Actual results could differ from those estimates.

NOTE C: CASH AND INVESTMENTS

Cash consists of bank accounts or securities with original maturities of 90 days or less. Investments consist of certificates of deposit with original maturities in excess of 90 days.

All cash and investment deposits are maintained in financial institutions in Northern Michigan. The Township's deposits are categorized to give an indication of the level of risk assumed by the Township at fiscal year-end. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the Township or by its agent in the Township's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.

Category 3 – Uncollateralized.

TOWNSHIP OF ELMIRA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

NOTE C: CASH AND INVESTMENTS (CONTINUED)

	BANK BALANCE	1	CATEGORY 2	3	CARRYING AMOUNT
Cash	\$ 144,580	\$ -	\$ -	\$144,580	\$142,423
Investments(CD's)	462,739	447,031	-	15,708	462,739
Trust & Agency	6,031	6,031	-	-	6,031

The Township's philosophy is to insure as much of the deposits as possible. Because of some limited banking options, every dollar may not be insured at all times during the year. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk are used as depositories.

NOTE D: DUE FROM/TO OTHER FUNDS

This amount, \$4,844, represents undisbursed funds in the current tax collection fund that were due to the General Fund at March 31, 2008.

NOTE E: CAPITAL ASSETS

	CAPITAL ASSETS NOT DEPRECIATED	CAPITAL ASSETS DEPRECIATED		
	Land	Building & Improvements	Equipment	Totals
<i>Governmental Activities</i>				
<i>Capital Assets</i>				
Balance, April 1, 2007	\$ 78,711	\$ 174,544	\$ 19,392	\$ 272,647
Increases	-	6,100	-	6,100
Decreases	-	-	-	-
Balance, March 31, 2008	<u>78,711</u>	<u>180,644</u>	<u>19,392</u>	<u>278,747</u>
<i>Accumulated Depreciation</i>				
Balance, April 1, 2007	-	93,012	15,097	108,109
Increases	-	5,521	1,218	6,739
Decreases	-	-	-	-
Balance, March 31, 2008	<u>-</u>	<u>98,533</u>	<u>16,315</u>	<u>114,848</u>
<i>Capital Assets, Net</i>	<u>\$ 78,711</u>	<u>\$ 82,111</u>	<u>\$ 3,077</u>	<u>\$ 163,899</u>

Depreciation expense was not charged to functions of the Township - it is stated as "unallocated depreciation" on the Statement of Activities.

NOTE F: LONG-TERM DEBT

The Township had no long-term debt as of March 31, 2008.

**TOWNSHIP OF ELMIRA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

NOTE G: PENSION PLAN

The Township has a defined contribution pension plan covering all of its elected officials and full-time employees. The plan currently has 6 participants and is maintained with the Municipal Retirement Systems, Inc.

Total pension expense for the year was \$5,427. Payments made to the plan vest immediately to the participants. The plan provides fully insured pension credits and each year's contribution is sufficient to fully fund the benefits earned during the year. Payments to the plan have been used only to purchase benefits and so there are no separate plan assets.

The Township's total payroll for the year was approximately \$66,001. The eligible wages covered by the plan totaled \$45,523.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

NOTE H: CONTINGENCIES

INSURANCE

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters.

The Township participates in the Michigan Township Participating plan, a self insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage.

**ELMIRA TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2008**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
REVENUES				
Property Taxes - General	\$ 68,500	\$ 68,500	\$ 62,809	\$ (5,691)
Property Taxes - Fire	67,000	67,000	67,903	903
State Shared Revenue	111,000	111,000	109,942	(1,058)
Interest Earnings	25,000	25,000	25,206	206
Property Tax Administration Fee	17,500	17,500	19,291	1,791
Metro Act	5,300	5,300	5,115	(185)
Summer Tax Reimbursement	4,000	4,000	3,838	(162)
Swamp Tax	5,500	5,500	3,229	(2,271)
Rent	3,000	3,000	2,565	(435)
Liquor Control	1,500	1,500	1,496	(4)
Refunds & Reimbursements	2,500	2,500	1,344	(1,156)
Oil & Gas Revenue	1,500	1,500	1,712	212
Miscellaneous	1,400	1,400	80	(1,320)
Total Revenues	313,700	313,700	304,530	(9,170)
EXPENDITURES				
Township Board:				
Salaries	5,500	5,500	5,224	276
Fringe Benefits	1,080	1,080	938	142
Insurance	9,500	9,500	8,704	796
Professional Fees	4,500	4,500	4,487	13
Communications	1,500	1,500	1,330	170
Capital Outlay	2,000	2,000	1,000	1,000
Advertising	400	400	975	(575)
Mileage Reimbursement	500	500	461	39
Supplies	2,000	2,000	457	1,543
Miscellaneous	5,600	5,600	4,524	1,076
Total Township Board	\$ 32,580	\$ 32,580	\$ 28,100	\$ 4,480

ELMIRA TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2008

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Supervisor:				
Salary	\$ 7,959	\$ 7,959	\$ 9,169	\$ (1,210)
Per Diem	1,500	1,500	1,330	170
Fringe Benefits	1,700	1,700	1,273	427
Training & Education	-	-	1,356	(1,356)
Supplies/Postage	350	350	92	258
Communications	500	500	275	225
Mileage Reimbursement	100	100	349	(249)
Miscellaneous	-	-	275	(275)
Total Supervisor	12,109	12,109	14,119	(2,010)
Elections:				
Salaries	500	500	1,445	(945)
Fringe Benefits	25	25	37	(12)
Mileage Reimbursement	20	20	178	(158)
Supplies	500	500	91	409
Miscellaneous	100	100	44	56
Total Elections	1,145	1,145	1,795	(650)
Assessor:				
Salary/Contractual	18,200	18,200	14,650	3,550
Fringe Benefits	2,500	2,500	121	2,379
Supplies	900	900	2,195	(1,295)
Printing	3,500	3,500	2,137	1,363
Mileage Reimbursement	1,000	1,000	460	540
Communications	50	50	25	25
Miscellaneous	200	200	97	103
Total Assessor	26,350	26,350	19,685	6,665
Clerk:				
Salary	10,857	10,857	11,457	(600)
Per Diem	1,300	1,300	520	780
Fringe Benefits	1,350	1,350	1,466	(116)
Supplies	1,000	1,000	576	424
Communications	550	550	369	181
Mileage Reimbursement	200	200	34	166
Miscellaneous	500	500	-	500
Total Clerk	\$ 15,757	\$ 15,757	\$ 14,422	\$ 1,335

**ELMIRA TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2008**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Board of Review:				
Salaries	\$ 1,700	\$ 1,700	\$ 1,050	\$ 650
Fringe Benefits	150	150	80	70
Miscellaneous	400	400	253	147
Total Board of Review	2,250	2,250	1,383	867
Treasurer:				
Salaries	16,613	16,613	16,293	320
Per Diem	1,500	1,500	1,610	(110)
Fringe Benefits	2,400	2,400	2,252	148
Supplies	1,800	1,800	1,510	290
Postage	2,000	2,000	994	1,006
Training & Education	-	-	855	(855)
Mileage Reimbursement	500	500	790	(290)
Communications	800	800	738	62
Miscellaneous	200	200	160	40
Total Treasurer	25,813	25,813	25,202	611
Township Hall:				
Wages	3,000	3,000	2,738	262
Fringe Benefits	200	200	167	33
Repairs and Maintenance	4,000	4,000	3,893	107
Utilities	4,300	4,300	3,059	1,241
Capital Outlay	2,500	2,500	1,831	669
Operating Supplies	600	600	764	(164)
Hall Deposit Refunds	1,000	1,000	650	350
Miscellaneous	500	500	21	479
Total Township Hall	16,100	16,100	13,123	2,977
Cemetery:				
Operational Costs	\$ 3,100	\$ 3,100	\$ 2,263	\$ 837

ELMIRA TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2008

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Planning Commission:				
Salaries	\$ 8,000	\$ 8,000	\$ 7,095	\$ 905
Fringe Benefits	500	500	442	58
Education & Conferences	2,000	2,000	-	2,000
Office Supplies	450	450	42	408
Professional Services	3,000	3,000	-	3,000
Mileage Reimbursement	-	-	69	(69)
Miscellaneous	1,000	1,000	396	604
Total Planning Commission	14,950	14,950	8,044	6,906
Street Lights	3,200	3,200	3,419	(219)
Parks & Recreation:				
Wages	-	-	330	(330)
Fringe Benefits	-	-	24	(24)
Contractual Services	3,000	3,000	947	2,053
Capital Outlay	3,000	3,000	6,136	(3,136)
Miscellaneous	1,000	1,000	115	885
Total Parks & Recreation	7,000	7,000	7,552	(552)
Liquor Inspection	1,500	1,500	1,496	4
Fire Protection	72,000	72,000	67,903	4,097
TOTAL EXPENDITURES	233,854	233,854	208,506	25,348
Excess (Deficiency) of Revenues Over Expenditures	79,846	79,846	96,024	16,178
Fund Balance - Beginning of Year	518,962	518,962	518,962	-
Fund Balance - End of Year	\$ 598,808	\$ 598,808	\$ 614,986	\$ 16,178